

29

CIA/RR CB-61-5

Copy No. _____
6 February 1961

25X1

ST/P/C

CURRENT SUPPORT BRIEF

RECENT SOVIET FINANCIAL MANEUVERS IN THE FREE WORLD

OFFICE OF RESEARCH AND REPORTS

CENTRAL INTELLIGENCE AGENCY

This report represents the immediate views of the
originating intelligence components of the Office
of Research and Reports. Comments are solicited.

25 YEAR RE-REVIEW

W - A - R - N - I - N - G

This document contains information affecting the national defense of the United States, within the meaning of the espionage laws, Title 18 USC, Sections 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

25X1

25X1

25X1

RECENT SOVIET FINANCIAL MANEUVERS IN THE FREE WORLD

[redacted] Soviet financial maneuvers in the Free World suggest a continuing effort to exploit the propaganda impact of the ruble revaluation while generally strengthening and enhancing the international standing of the ruble. [redacted] 25X1

[redacted] the Soviet Union is seeking to establish ruble accounts in certain Western countries and to obtain ruble quotations in certain Free World money markets. The significance [redacted] 25X1

[redacted] could range from the reflection of a mere propaganda move to the foreshadowing of a liberalization of Soviet foreign trade and financial policy leading eventually to the convertibility of the ruble. More likely, however, they reflect an attempt to enlarge the ruble trade area by exploiting current or prospective balance of payment difficulties in susceptible Western countries through imposing ruble clearings as the price of expanding trade with the USSR. 25X1

[redacted]

At the present time the Soviet Union maintains ruble accounts, i.e. ruble denominated clearing accounts in only one Western country--Finland. These accounts represent an exceptional case which grew out of Finnish dependence upon the USSR market for a substantial portion of its export availabilities ever since reparations shipments induced

6 February 1961

CIA/RR CB-61-5

Page 2

25X1

25X1

the orientation of Finnish industrial development to meet Soviet requirements. According to the 1959 Russo-Finnish trade agreement accounts in rubles are kept in the Bank of Finland and in GOSBANK. The agreement contains a swing credit and stipulates payment in gold or in freely convertible currencies for imbalances in excess thereof. Prices of exports and imports are fixed in rubles on the basis of world market prices. A 1950 Russo-Finnish trade agreement provided for some multilateral clearing of Soviet debit balances through transfers to Satellite accounts. This system was largely discontinued in 1957 when East Germany and Poland withdrew on the grounds that they needed Western currencies more than rubles in payment for their exports.

Accordingly, any step which it might take to alter the extent or the conditions of its trade with the Soviet Union would be likely to have repercussions beyond its borders. Moreover, each of these countries is experiencing or shows some concern over possible balance of payments difficulties and, in the Soviet view, might therefore be expected to welcome the opportunity to lessen the drain on their gold and convertible currency reserves by increasing trade with the Soviet Union--even at the expense of ruble clearing. This juxtaposition of circumstances may appear to Soviet officials to provide a climate propitious for an attempt to expand the ruble trade area. Even if the Soviet overtures are rejected, an important propaganda point will have been scored as ruble trading will have been advanced as a serious alternative to trading in Free World currencies.

Much less likely than the possibility of opening ruble clearing accounts in Free World countries appears the possibility that the Soviet Union will attempt to establish--within the foreseeable future--extensive convertibility of the ruble. To place the significance of such a step into its perspective it should be remembered that any move towards convertibility, i.e. towards allowing foreigners to accumulate substantial claims on Soviet output, would represent a radical departure from Soviet policy which has sought effectively to quarantine the USSR economy from the influences of Free World markets by maintaining control over all foreign trade and financial transactions, including, since 1928, a prohibition over the export and import of Soviet currency. All foreign trade and financial transactions of the USSR are conducted either through bilateral clearing or through payment in foreign exchange or in gold.

By maintaining its strict control over all foreign trade and financial transactions, the Soviet leaders have been able to gear exports and imports to the requirements of the economy of the USSR--or to transcending foreign policy objectives--utilizing foreign trade as an effective instrument for promoting the policy priorities of the Soviet Union at home and abroad.

25X1

25X1

The establishment of ruble accounts in Western countries the ownership of which would be permitted to change hands, is seen as weakening the government monopoly over foreign trade and foreign exchange resources, for the rubles held by non-Soviet interests would represent claims against the Soviet economy which must be paid for out of Soviet production--or out of the Soviet gold hoard. Nevertheless, the volume of such claims could be controlled by means of restrictions on Soviet imports, and the demand for rubles could be controlled through restrictions on exports. At the same time, however, the smaller the availability of rubles,--and, what appears to be the corollary--the greater the uncertainty regarding limitations on their use in the purchase of Soviet goods and services, the greater the difficulty faced by the Soviet Union in attempting to market its rubles abroad.

To compensate for the uncertainties surrounding the usefulness of the ruble--either in terms of convertibility or in terms of purchasing rights (as distinct from purchasing power) in the USSR--it is likely that the Free World money markets would exact discounts, not an auspicious debut for the much heralded "heavy" ruble as an international currency. It is this dilemma, which, at least in the near future, appears to militate against any serious Soviet attempt to enter its rubles into competition with Free World currencies.

On the other hand, the Soviet Union may plan to expand the ruble trade area by pressing for the establishment of ruble denominated clearing accounts and for the inclusion of limited intra-bloc multi-lateral clearing provisions in payments agreements negotiated with selected Free World countries. The amount of actual trade flowing through these clearings could be varied by Soviet authorities to meet prevailing circumstances. It would not have to be large, in any case, to reap propaganda advantages in the ensuing struggle between the ruble and the dollar.

Page Denied